DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

INSPECTOR GENERAL
for TAX
ADMINISTRATION

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MEMORANDUM FOR COMMISSIONER ROSSOTTI

Pamela J. Gardiner

FROM: Pamela J. Gardiner
Deputy Inspector General for Audit

SUBJECT: Final Audit Report – Progress in Developing the Customer Communications Project Has Been Made, But Risks to Timely Deployment in 2001 Still Exist

The subject draft report was issued on February 5, 2001. Since we did not receive the Internal Revenue Service's (IRS) comments within 30 calendar days of the draft report issuance, we released the final report on March 12, 2001. In a memorandum dated March 21, 2001, the Associate Commissioner for Business Systems Modernization provided IRS' response to the report. We would like to take this opportunity to provide our feedback on the response.

Recommendation #1

To properly manage the Customer Communications Project (CCP) and all other ongoing and future modernization projects, the Chief Information Officer (CIO) should ensure that project managers timely complete all Enterprise Life Cycle (ELC) recommended work products and conduct necessary ELC reviews at the project level. The CIO should work with the Commissioner and other Internal Revenue Service executives on the Core Business Systems Executive Steering Committee to ensure that projects are not approved to exit ELC milestones unless all critical work products, such as the security documents and the Risk Management Plan, have been completed.

Management's Response

While the IRS agrees with the need for, and does in fact conduct, all appropriate ELC reviews, we do not agree with the recommendation that all ELC recommended work products must be completed, **in their entirety,** before exiting an ELC milestone. To halt the progress of a modernization project until all work products and reviews have been completed would not allow for responsible and flexible program management and would cause unnecessary delays and possible cost increases. The IRS believes that conditional or qualified exit approvals allow projects to continue while minor changes are made to ELC deliverables. We do agree that "critical" required work products should be substantially complete prior to exiting a milestone. However, program management judgement should be exercised in this area.

Office of Audit Comment

We believe that modernization projects should not exit ELC milestones unless all critical ELC work products have been completed. Otherwise, the risk of unexpected glitches, delays, and cost overruns increases. For example, delays in the project have occurred, in part, because the Risk Management Plan and security documents were not timely completed. Managing risks is an essential part of any project, but especially so when entering the testing and deployment phases. System testing cannot start until the security documents are completed and approved, and deployment cannot occur until the project receives a security certification.

As of March 16, 2001, over seven months after the conditional milestone 3 exit, the IRS still had not completed system testing. This delay has caused the IRS to put off deployment until after April 15, 2001, the tax return filing date. Estimates for deployment are currently scheduled for June 1, 2001 per the March 23, 2001 Business Systems Modernization Office (BSMO) Weekly Oversight Meeting. This means the project will miss the February 15, 2001, contract date by over 3 months.

We believe that delays in the CCP deployment would not be as significant if design plans were completed before continuing into the project development stage. Specifically, if the security plan was completed timely, scheduling options, testing schedules and requirements would not need to be negotiated with the Security and Privacy Office.

We also believe that the IRS and the PRIME should completely follow the ELC on the first few modernization projects. The IRS considers the CCP as one of the "test bed" projects that will allow the IRS and the PRIME to learn the project management skills and processes necessary for the success of future projects. These "test bed" projects will also allow the IRS and the PRIME to evaluate and revise the ELC to better meet their needs. If all critical ELC work products are not completed when recommended, the opportunities to apply lessons learned to other projects and establish repeatable processes are reduced. Once the IRS and the PRIME mature in the project development process, more flexible program management can and should be considered.

Recommendation #4

To effectively track and report project risks, as well as monitor risk reduction efforts, the CIO should ensure the PRIME and the IRS managers complete the evaluation and implementation of the new risk tracking and reporting process.

Management's Response

We agree with this recommendation and believe we have already implemented a corrective action. At the request of the IRS, the PRIME implemented a biweekly Risk Forum chaired by the Associate Commissioner for Business Systems Modernization and a senior PRIME executive. At this Forum, all proposed risks and risk mitigation plans presented by the PRIME project managers and their BSMO executive counterparts are reviewed. The Forum also approves risks and mitigation plans and monitors risks until fully mitigated. The implementation of this Forum has improved significantly the quality, timeliness, and consistency of risk reporting. Of far greater importance, it has led to the timely identification and mitigation of risks.

Your team also cited the IRS' Integrated Tracking System as an inadequate tool for tracking and reporting project risks. As stated in our response to Recommendation 4, we believe we have overcome this barrier through the implementation of the biweekly Risk Forum.

Office of Audit Comment

While the Risk Forum may serve as an effective medium to raise and discuss risks facing systems modernization, this action does not go far enough to adequately identify and manage all project risks.

We believe the risk management process will be greatly enhanced when an adequate tool is implemented to capture and track risks. At the completion of our audit, the PRIME and the IRS had come to an agreement on the new requirements and procedures necessary to improve the Integrated Tracking System risk database and Joint Risk Management Procedure. The Associate Commissioner's corrective actions do not indicate the status of this tool's use to ensure that all identified risks are controlled and managed.

Comments on Attachment II – Tangible Benefits

The response states that CCP 2001 has already delivered tangible benefits for the 2001-filing season. It is true that additional routers have been added to the existing system, and some telecommunications lines have been installed to handle more calls. However, this does not mean that more taxpayer calls are getting answered, only that more taxpayer calls are getting through. The IRS expected to answer an additional 9.6 million calls in 2001 based on the deployment of the CCP. Since the software that will enable the IRS to **answer** more calls has yet to be deployed, the majority of the anticipated taxpayer benefits for the 2001-filing season will be delayed.

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